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U.S. ECONOMIC ASSISTANCE PROGRAM IN EGYPT

**CONFORMED
COPY**

Agreement Number 263-0289

STRATEGIC OBJECTIVE GRANT AGREEMENT

BETWEEN THE

ARAB REPUBLIC OF EGYPT

AND THE

UNITED STATES OF AMERICA

FOR

FINANCIAL SECTOR MODERNIZATION PROGRAM

Dated: 4 FEB 2004

"Certified to be a true copy of the
original document signed by Ambassador
C. David Welch, and Fayza Aboulnaga,
Minister of State for Foreign Affairs."

Monica Smith

Monica Smith
Legal Advisor

FUNDS RESERVED / OBLIGATED

App: 723/41037 Res. No. P040001

EOCC-41000 EPC. HES3-04-23263-KG13

So# 016 Amount \$46,750,000.00

Agent Code Acc. Basis

Orig. St. Dt. Oblg. End Dt. 09/30/2008

By Hala BGA MACS Hala 1/25/04

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USAID Grant No. 263-0289

STRATEGIC OBJECTIVE GRANT AGREEMENT

For

FINANCIAL SECTOR MODERNIZATION PROGRAM

Dated: 4 FEB 2004

Between

The Arab Republic of Egypt ("A.R.E." or the "Grantee")

and

The United States of America, acting through the
United States Agency for International Development
("USAID").

Article 1: Purpose.

The purpose of this Strategic Objective Grant Agreement ("Agreement") is to set out the understanding of the parties named above (the "Parties") about the Strategic Objective and Results described below.

Article 2: Strategic Objective and Results.

Section 2.1. Strategic Objective. The Strategic Objective (the "Objective") sought by this Agreement is "Environment for Trade and Investment Strengthened."

Section 2.2. Results. In order to achieve the Objective, the Parties agree to work together to achieve the following Results (the "Results"):

1. Policy Framework for Trade and Investment Improved;
2. Private Sector Competitiveness Increased; and
3. Opportunities for Business Growth Enhanced.

Section 2.3. Annex 1, Amplified Description. Annex 1, attached, amplifies the above Objective and Results, and describes the activities necessary to achieve them and the indicators by which their achievement will be measured. Within the limits of the above definitions of the Objective and Results in Sections 2.1 and 2.2, Annex 1 may be changed by written agreement of the authorized representatives of the Parties without formal amendment of this Agreement.

Article 3. Contributions of the Parties.

Section 3.1. USAID Contribution.

(a) The Grant. To help achieve the Objective and Results set forth in this Agreement, USAID, pursuant to the Foreign Assistance Act of 1961, as amended, hereby grants to the A.R.E. under the terms of this Agreement an amount not to exceed Forty Six Million Seven Hundred Fifty Thousand United States ("U.S.") Dollars (\$46,750,000) (the "Grant").

(b) Total Estimated USAID Contribution. USAID's total estimated contribution to the achievement of the Objective under this Agreement will not exceed Ninety Two Million Four Hundred Thousand U.S. Dollars (\$92,400,000), which will be provided in increments. Subsequent increments will be subject to the availability of funds to USAID for this purpose and the mutual agreement of the Parties, at the time of each subsequent increment, to proceed.

Section 3.2. A.R.E. Contribution.

(a) The A.R.E. agrees to provide or cause to be provided all funds, in addition to those provided by USAID, and all other resources required to complete, on or before the Completion

Date, all activities necessary to achieve the Objective and Results in this Agreement.

(b) Subject to the availability of funds for this purpose, the A.R.E.'s contribution will not be less than Twelve Million Eight Hundred Thousand Egyptian Pounds (L.E.12,800,000), including both cash, in-kind and FT-800 contributions. The A.R.E. will report at least annually in a format to be agreed upon with USAID on its cash and in-kind contributions.

Article 4: Completion Date.

(a) The Completion Date, which is September 30, 2008, or such other date as the Parties may agree in writing, is the date by which the Parties estimate that all the activities necessary to achieve the Objective and Results will be completed.

(b) Except as USAID may otherwise agree in writing, USAID will not issue or approve documentation which would authorize disbursement of the Grant for services performed or goods furnished after the Completion Date.

(c) Requests for disbursement, accompanied by necessary supporting documentation prescribed in Implementation Letters as

provided under Section A.2. of the Standard Provisions Annex (Annex 2), attached, are to be received by USAID no later than nine (9) months following the Completion Date, or such other period as USAID agrees in writing before or after such period. After such period USAID, at any time or times, may give notice in writing to the A.R.E. and reduce the amount of the Grant by all or any part thereof for which requests for disbursement, accompanied by necessary supporting documentation prescribed in Implementation Letters, were not received before the expiration of such period.

Article 5: Requirement Precedent to Disbursement.

Section 5.1. First Disbursement. Prior to the first disbursement under the Agreement, or to the issuance by USAID of documentation pursuant to which such disbursement will be made, the A.R.E. will, except as the Parties may otherwise agree in writing, furnish to USAID in satisfactory form and substance a statement of the names and titles of the persons authorized pursuant to Section 7.2 to act as the representatives of the counterpart Ministry for each activity identified in Annex 1,

and of any additional representatives, together with a specimen signature of each person so designated.

Section 5.2. Notification. USAID will promptly notify the A.R.E. when USAID has determined that the requirement precedent specified above has been met.

Section 5.3. Terminal Date for Requirement Precedent to Disbursement. The terminal date for meeting the requirement specified in Section 5.1 is ninety (90) days from the effective date of this Agreement or such later date as USAID may agree to in writing before or after the above terminal date. If the requirement precedent in Section 5.1 has not been met by the above terminal date, USAID may, at any time, terminate this Agreement by written notice to the A.R.E.

Article 6: Special Covenants.

Section 6.1. Payment of Taxes, Tariffs, Duties and other Levies. To the extent that any of the funds provided under the Grant are used to pay any taxes, tariffs, duties or other levies (including social insurance) for which an exemption is provided under Section B.4. of Annex 2 hereto, the A.R.E. agrees

that the Egyptian governmental organization which is the recipient of the services or goods shall, unless otherwise expressly provided in Implementation Letters, pay the same with funds other than those provided under the Grant.

SECTION 6.2. Documentation Required for Duty-Free Importation of Commodities and Personal Effects. The A.R.E. agrees that the Egyptian governmental organization which is the recipient of the services or goods shall provide to the Egyptian Customs Authority whatever documentation is required by, and is acceptable to, the Egyptian Customs Authority for the duty-free importation of any commodities (including vehicles) and personal effects for which an exemption from taxes, tariffs, duties, or other levies is provided under Section B.4. of Annex 2 hereto.

SECTION 6.3. Monitoring and Evaluation. The Parties agree to establish a monitoring and evaluation program as part of the Agreement. Except as the Parties otherwise agree in writing, such program will include, during the implementation of the Agreement, and at one or more points thereafter:

(a) systematic monitoring and reporting of progress on performance indicators (as described in Annex 1 hereto) during the Agreement period;

(b) formal evaluation or review of the Agreement at critical points during the Agreement's implementation, using the information provided to improve attainment of the Agreement's Objective; and

(c) a summary of the performance indicators and development impact achieved as a result of the Agreement.

Article 7: Miscellaneous.

Section 7.1. Communications. Any notice, request, document, or other communication submitted by either of the Parties to the other under this Agreement will be in writing or by telegram, telefax or cable, and will be deemed duly given or sent when delivered to such Party at the following address:

To the A.R.E.:

Ministry for Foreign Affairs
Department of Economic Cooperation with USA
International Cooperation Sector
48/50 Abdel Khalick Tharwat Street
Cairo

Office of Prime Minister
The Cabinet
1 Sharia Magles El Shaab,
Cairo

Ministry of Finance
Justice and Finance Bldg.
Lazoughly Square,
Cairo
Ministry of Justice
Justice and Finance Building
Lazoughli Street,
Cairo

Governor of Alexandria
Al Horreya Avenue, Alexandria
Egypt

To USAID:

USAID
Plot 1/A, Off El-Laselki Street
New Maadi, Postal Code 11435
Cairo

All such communications will be in English, unless the Parties otherwise agree in writing. Other addresses may be substituted for the above upon the giving of notice.

Section 7.2. Representatives. For all purposes relevant to this Agreement, the A.R.E. will be represented by the individual holding or acting in the Office of the Minister of State for Foreign Affairs and/or the Administrator of the Department for Economic Cooperation with U.S.A., International

Cooperation Sector, and USAID will be represented by the individual holding or acting in the Office of Director, USAID, each of whom, by written notice, may designate additional representatives for all purposes other than signing formal amendments to the Agreement or revising the Objective or Results. However, the individual holding or acting in the office of the Minister of State for Foreign Affairs, by written notice, shall be entitled to designate representatives for all purposes. The names of the representatives of the A.R.E., with specimen signatures, will be provided to USAID, which may accept as duly authorized any instrument signed by such representatives in implementation of this Agreement, until receipt of written notice of revocation of their authority.

Section 7.3. Standard Provisions Annex. A "Standard Provisions Annex" (Annex 2) is attached to and forms part of this Agreement.

Section 7.4. Language of Agreement. This Agreement is prepared in both English and Arabic. In the event of ambiguity or conflict between the two versions, the English language version will prevail.

SECTION 7.5. Ratification. The A.R.E. will take all necessary action to complete all legal procedures necessary for ratification of this Agreement and will notify USAID as promptly as possible of the fact of such ratification.

Section 7.6. Effective Date. This Agreement shall enter into force when signed by both Parties hereto.

IN WITNESS WHEREOF, the Arab Republic of Egypt and the United States of America, each acting through its duly authorized representatives, have caused this Agreement to be signed in their names and delivered as of the day and year first above written.

ARAB REPUBLIC OF EGYPT

BY :

NAME : Fayza Aboulnaga

TITLE: Minister of State for Foreign Affairs

BY :

NAME : Mohamed Tawfik

TITLE: Director, Cabinet of the Minister of State for Foreign Affairs

UNITED STATES OF AMERICA

BY :

NAME : C. David Welch

TITLE: Ambassador

BY :

NAME : Kenneth C. Ellis

TITLE: Director, USAID/Egypt